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FISCAL IMPACT REPORT

	ORIGINAL DATE 1/25/06		
SPONSOR <u>Moore</u>	LAST UPDATED 1/25/06	HB <u>299</u>	
	SMALL CITIES ASSISTANCE FUND		
SHORT TITLE <u>DISTRIBUTIONS</u>		SB _____	
		ANALYST <u>Schardin</u>	

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	(3,037.5)		Recurring	General Fund
	3,037.5		Recurring	Small Cities Assistance Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 299 would increase the share of compensating tax revenue transferred to the small cities assistance fund from 10 to 15 percent. In addition, it would increase the minimum amount per city from \$35 to \$75 thousand. Finally, the “municipal share” used to calculate municipal distributions would be decreased from 1.35 to 1.225 percent.

The effective date of these provisions is July 1, 2006.

FISCAL IMPLICATIONS

Under current law, 10 percent of compensating tax revenues goes to the small cities assistance fund, 10 percent goes to the small counties assistance fund, and the remaining 80 percent goes to the general fund.

The bill would reduce general fund revenue by 5 percent of compensating tax revenue and increase small cities assistance fund revenue by 5 percent of compensating tax revenue. According to the December 2005 consensus revenue estimate, general fund compensating tax revenue will

be about \$48.6 million in FY07. This implies that total compensating tax revenue will be about \$60.8 million ($\$60.8 \text{ million} \times 80 \text{ percent}$). The fiscal impact of House Bill 299 will then be about \$3.0 million ($\$60.8 \text{ million} \times 5 \text{ percent}$).

TRD provided a table illustrating the estimated FY07 impact of HB299 on each of New Mexico's small municipalities, which is found at the end of this analysis.

SIGNIFICANT ISSUES

The formula by which small cities assistance fund revenues are distributed to municipalities is found in Sections 3-37A-1 to 3-37A-3 NMSA 1978. The distribution is calculated each February and funds are distributed in March. TRD reports that this formula is very complex and uses a large amount of data from numerous sources and time periods.

ADMINISTRATIVE IMPLICATIONS

TRD reports that House Bill 299 will cause minimal administrative impacts.

TECHNICAL ISSUES

TRD notes that the calculation contained in House Bill 299 is very complicated and that all changes to the current tax code should be kept as simple as possible.

SS/mt

Illustration: Possible Fiscal Impacts of the Proposal Changes in Small Cities Distributions

MUNICIPALITY	Estimated distribution in March 2007 with HB299 changes	Estimated March 2007 distribution under Present Law	Change in Distribution
Angel Fire	75,000	35,000	40,000
Aztec	148,092	107,550	40,542
Bayard	148,092	107,550	40,542
Belen	75,000	35,000	40,000
Bernalillo	148,092	107,550	40,542
Bloomfield	75,000	35,000	40,000
Bosque Farms	148,092	107,550	40,542
Capitan	148,092	107,550	40,542
Carrizozo	148,092	107,550	40,542
Causey	75,000	35,000	40,000
Chama	75,000	35,000	40,000
Cimarron	102,053	107,550	(5,497)
Clayton	148,092	107,550	40,542
Cloudcroft	75,000	35,000	40,000
Columbus	148,092	107,550	40,542
Corona	75,000	35,000	40,000
Corrales	148,092	107,550	40,542
Cuba	75,000	35,000	40,000
Des Moines	75,000	35,000	40,000
Dexter	120,216	107,550	12,667
Dora	75,000	35,000	40,000
Eagle Nest	75,000	35,000	40,000
Edgewood	75,000	35,000	40,000
Elephant Butte	148,092	107,550	40,542
Elida	75,000	35,000	40,000
Encino	75,000	35,000	40,000
Espanola	75,000	35,000	40,000
Estancia	80,713	95,847	(15,134)
Eunice	75,000	35,000	40,000
Floyd	75,000	35,000	40,000
Folsom	75,000	35,000	40,000
Fort Sumner	148,092	107,550	40,542
Grady	75,000	35,000	40,000
Grants	148,092	107,550	40,542
Grenville	75,000	35,000	40,000
Hagerman	148,092	107,550	40,542
Hatch	148,092	107,550	40,542
Hope	75,000	35,000	40,000
House	75,000	35,000	40,000
Hurley	148,092	107,550	40,542
Jal	148,092	107,550	40,542
Jemez Springs	75,000	71,076	3,924
Lake Arthur	113,728	107,550	6,178
Logan	148,092	107,550	40,542
Lordsburg	148,092	107,550	40,542

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Los Ranchos	148,092	107,550	40,542
Loving	148,092	107,550	40,542
Lovington	148,092	107,550	40,542
Magdalena	148,092	107,550	40,542
Maxwell	75,000	52,980	22,020
Melrose	148,092	107,550	40,542
Mesilla	148,092	107,550	40,542
Milan	75,000	35,000	40,000
Moriarty	75,000	35,000	40,000
Mosquero	75,000	35,000	40,000
Mountainair	148,092	107,550	40,542
Pecos	148,092	107,550	40,542
Questa	148,092	107,550	40,542
Raton	148,092	107,550	40,542
Red River	75,000	35,000	40,000
Reserve	75,000	35,000	40,000
Roy	75,000	35,000	40,000
Ruidoso	75,000	35,000	40,000
Ruidoso Downs	75,000	35,000	40,000
San Jon	75,000	35,000	40,000
San Ysidro	75,000	36,344	38,656
Santa Clara	148,092	107,550	40,542
Santa Rosa	75,000	35,000	40,000
Socorro	148,092	107,550	40,542
Springer	148,092	107,550	40,542
T or C	148,092	107,550	40,542
Taos	75,000	35,000	40,000
Taos Ski Valley	75,000	35,000	40,000
Tatum	75,000	35,000	40,000
Texico	148,092	107,550	40,542
Tijeras	75,000	35,000	40,000
Tucumcari	148,092	107,550	40,542
Tularosa	148,092	107,550	40,542
Vaughn	75,000	75,625	(625)
Virден	75,000	38,327	36,673
Wagon Mound	79,677	88,339	(8,662)
Willard	75,000	62,024	12,976
Williamsburg	132,909	107,550	25,360